Paras Spices Private Limited

April 02, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	96.93 (Enhanced from 91.48)	CARE BBB; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of the rating assigned to bank facilities of Paras Spices Private Limited (PSPL) continues to derive strength from experienced promoters with long track record of operations, diversified products profile, long-term association of the company with reputed clientele base in fast moving consumer goods (FMCG) industry, increased focus on B2C segment business from retail segment under 'Orika' Brand. Ratings also take cognisance of growth in scales of operations and profitability margins in FY24 (Audited, refers to April 01 to March 31) and 10MFY25 (Unaudited, refers to April 01 to January 31). The rating continues to remain constrained by PSPL's exposure towards customer concentration risk, susceptibility of margins to volatility, moderation in capital structure led by increase in working capital utilisation due to elongated inventory holding leading to elongated operating cycle and seasonality of raw materials and.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained improvement in scale of operations with total income of more than ₹300 crore and continued improvement in profit before interest, lease rentals, depreciation and taxation (PBILDT) margin from the existing level.
- Improvement in overall gearing below unity and total debt to gross cash accruals (TD/GCA) below 5x on a sustained basis.
- Improvement in operating cycle below 120 days leading to improvement in liquidity position of the company.

Negative factors

- Decline in total operating income (TOI) below ₹180 crore and PBILDT margin below 6% on a sustained basis.
- Any debt-funded capex leading to deterioration of financial risk profile of the company.
- Elongation in the operating cycle beyond 200 days on a sustained basis leading to deterioration in overall liquidity position of the company.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects CARE Ratings' opinion that PSPL would continue to derive benefits from its experienced promoters and long-term association with reputed clientele base in FMCG industry.

Detailed description of key rating drivers:

Key strengths

Experienced promoters with long track record of operations

PSPL is promoted by Vinay Kumar Budhiraja (Managing Director) who has around four decades of industry experience and is involved in the overall business operations and looks after the company's day-to-day operations. He is ably supported by his son, Paras Budhiraja and others who have over one decade of industry experience. The directors of the company are assisted by a team of professionals experienced in their respective domains. The promoters have been supporting business requirement of the company in the past, through infusion of funds in the form of unsecured loans. The total unsecured loans as on March 31, 2024, remained at ₹8.90 crore (PY: ₹4.13 crore) and ₹9.92 crore as of October 2025.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Growing scales of operations with improvement in profitability in FY24 and 10MFY25

The company reported a TOI of ₹249.09 crore for FY24, up from ₹222.91 crore in FY23, reflecting a year-on-year growth of 11.75%. This increase is attributed to increased revenue from the retail segment under the 'Orika' brand and increased demand from B2B customers. The PBILDT margin improved to 9.13% in FY24 from 7.38% in FY23, while the profit after tax (PAT) margin rose to 2.44% in FY24 from 1.72% in FY23, largely driven by stable raw material input costs during the period. The company is focusing more on the B2C segment, which offers higher margins. Currently, the B2B segment contributes ~75-80%, while the B2C segment accounts for ~20-25% (PY: 15-20%). In 10MFY25, the company achieved a TOI of ₹243.81 crore, with PBILDT and PAT margins of 8.99% and 2.74%, respectively. The company expects to close the year with a TOI of ₹300 crore and PBILDT margins ~10%. Going forward, the scale of operations is expected to improve considering anticipated improved demand for the company's products.

Diversified product profile

PSPL is engaged primarily in the processing of spices, seasoning & flavours, specialty food ingredients, and noodles, among others, with diversified product items processed by it including cumin, coriander, black pepper, turmeric, onion powder, and red chilli powder, among others. The company majorly caters to B2B segment and has long-term relation with reputed clientele such as Nestle India Limited, ITC Limited, and Jubilant Group among others. This apart, the company has also been venturing into B2C segment for past 2-3 years, where PSPL is directly selling its products such as sprinklers, spice, Italian seasoning, and lemonade among others, under the brand name of 'Orika'. The company also has network of distributers of ~75 and sells its product in over 16,000 counters across India. Their products are also available on their website, online platforms such as Amazon and Big Basket and on quick commerce platforms such as Blinkit, Swiggy, and Zepto. Going ahead, the company plans to increase the income from B2C segment as the same involves higher margin and having high growth potential.

Reputed though concentrated clientele base

The company supplies to several dominant institutional customers in the FMCG sector, which results in low counterparty risk. The major sales being derived from Nestle group, which contributed to ~56% of the TOI in FY24 and 55% in 10MFY25 followed by the Jubilant group, which contributed over ~7% of the TOI in FY24 and over 7% in 10MFY25. Any change in the procurement policy of these customers may adversely impact the business profile of the company. This also exposes the company's revenue growth and profitability to its customer's future growth plans. However, the risk is mitigated to some extent since the company is supplying to dominant institutional customers in the domestic market and have been associated with them for decades.

Key weaknesses

Moderate financial risk profile

The capital structure stands moderate as represented by overall gearing of 1.55x as on March 31, 2024, deteriorated from 1.34x as on March 31, 2023, considering increased debt levels to ₹110.42 crore as on March 31, 2024, from ₹87.82 crore as on March 31, 2024, largely due to increase in working capital borrowing. The total debt to PBILDT ratio of the company stood moderate though improved at 4.85x as on March 31, 2024 (PY: 5.34x). The interest coverage stood at 2.44x in FY24 (PY: 2.62x) slightly moderate considering increased interest cost in line with higher debt (primarily working capital) in FY24.

Exposure to price volatility and seasonality of raw materials

PSPL is into processing spices, seasoning, added flavours, among others, which uses chilly, turmeric, coriander, cumin and other agriproducts as the primary raw material. PSPL's profitability is vulnerable to fluctuations in raw material prices due to commoditised nature of the business and limited level of value addition. The agro-based commodities are seasonal in nature and are available readily only for a few months in a year requiring adequate stocking levels of raw materials. The agro raw materials as required by PSPL are commodities in nature and their prices are linked to the demand-supply scenario, which in turn depends upon other external factors like rainfall and international prices, exposing PSPL's profitability to changes in raw material prices.

Elongated operating cycle owing to large inventory requirements

The company's operating cycle deteriorated to 186 days in FY24 compared to 161 days in FY23 as PSPL's raw materials are predominantly agro commodities, which are seasonal in nature and are available readily only for a few months in a year requiring adequate stocking levels of raw materials leading to elongated average inventory holding days of 175 days in FY24 (PY: 162 days). The company has built up inventory as the management plans to increase raw material and finished goods inventory to fulfil repeated orders/demand of its customers and also to gain from increasing price momentum. The company is also adding different varieties of spices and seasonings which further lead to increased stock levels. Stock level needs to be maintained to avoid price fluctuations. PSPL extends credit period of 60 days to Nestle and 15-30 days credit to its other clientele leading to average collection of 48 days (PY: 42 days). The company procures raw materials from traders in Punjab, New Delhi, Andhra Pradesh, and Rajasthan, among others, which offers credit period ranging from 15-45 days to PSPL leading to average creditors' days of 37 days, as on March 31, 2024 (PY: 43 days).

Liquidity: Adequate

PSPL's liquidity profile continues to remain adequate, marked by current ratio and quick ratio of 1.51x and 0.50x, as on March 31, 2024, respectively (PY: 1.68x and 0.52x, respectively). The company has a repayment obligation amounting to ₹10.96 crore in FY25 and ₹10.50 crore in FY26, against expected cash accruals of ₹14.42 crore and ₹22.01 crore in FY25 and FY26, respectively. The average monthly fund-based working capital utilisation for the last 12 months ended February 2025, stood at ~88%.

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

Policy on Default Recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Assigning 'Outlook' or 'Rating Watch' to Credit Ratings
Manufacturing Companies

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast-moving consumer goods	Fast-moving consumer goods	Food products	Other food products

Paras Spices Private Limited (PSPL) was incorporated in June 1994 is engaged in the manufacturing of spices, seasoning & flavours, specialty food ingredients, among others, and majorly supplies to institutional clientele. The company also sells its products under own brand name, 'Orika', which was established for sale in the domestic retail market. The company's manufacturing unit is at Moga, Punjab, with processing capacity of 29,000 tonnes per annum (TPA).

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	10MFY25 (UA)
Total operating income	222.91	249.09	243.81
PBILDT	16.45	22.75	21.93
PAT	3.84	6.07	6.68
Overall gearing (times)	1.34	1.55	1.49
Interest coverage (times)	2.62	2.44	2.36

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	December 2026	24.93	CARE BBB; Stable
Fund-based - LT-Working Capital Limits		-	-	-	72.00	CARE BBB; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	24.93	CARE BBB; Stable	1)CARE BBB; Stable (03-Apr-24)	-	1)CARE BBB+; Negative (24-Mar-23)	1)CARE BBB+; Stable (28-Mar-22) 2)CARE BBB; Stable (05-Apr-21)
2	Fund-based - LT-Working Capital Limits	LT	72.00	CARE BBB; Stable	1)CARE BBB; Stable (03-Apr-24)	-	1)CARE BBB+; Negative (24-Mar-23)	1)CARE BBB+; Stable (28-Mar-22) 2)CARE BBB; Stable (05-Apr-21)

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

2	Fund-based - LT-Working Capital Limits	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: +91-22-6754 3444 E-mail: Ankur.sachdeva@careedge.in	Puneet Kansal Director **CARE Ratings Limited** Phone: +91-12-0445 2018 E-mail: puneet.kansal@careedge.in Akhil Kumar Associate Director **CARE Ratings Limited** Phone: +91-12-0445 1986 E-mail: akhil.kumar@careedge.in Mohit Gupta Analyst **CARE Ratings Limited** E-mail: mohit.gupta@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For detailed Rationale Report and subscription information, please visit www.careedge.in